United States Court of Appeals

for the Second Circuit

APPELLEE'S BRIEF

B
P/S

74-1757

In the

UNITED STATES COURT OF APPEALS

For the Second Circuit

Docket No. 74-1757

LEE PHARMACEUTICALS,

Defendant-Appellant,

-against-

CERAMCO, INC.,

Plaintiff-Appellee.

B
P/S

On Appeal from the United States District Court for the Eastern District of New York

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BRIEF ON BEHALF OF PLAINTIFF-APPELLEE

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APPELLEE'S BRIEF

Preliminary Statement

This is a purported appeal from an unreported order of Hon. Mark A. Costantino, U.S.D.J., rendered May 30, 1974 (App. 234; 263) denying the motion of defendant-appellant Lee Pharmaceuticals ("Lee") to disqualify Rogers & Wells, attorneys for plaintiff-appellee Ceramco, Inc. ("Ceramco") on grounds of professional misconduct, to enjoin further representation of Ceramco by Rogers & Wells, and to require Ceramco to start its action anew. A motion to dismiss the purported appeal brought on before Mulligan, Moore and Adams, C.J., on September 18, 1974 was respectfully referred to the panel that will hear this appeal and a discussion of that motion is contained in this brief.

ISSUES PRESENTED

1. As to appealability, does this Court's ruling in Silver Chrysler Plymouth v. Chrysler Motors, 496 F.2d 800 (2d Cir. 1974) require it to review every charge of unethical conduct made at the trial court whenever the party making the charge elects to claim disqualification of counsel for the other side as a penalty for the alleged unethical conduct?

Ceramco claims that the answer should be no.

2. Was the District Court justified in refusing to supplant the various bar associations as the arbiter of every charge of professional misconduct made during the course of litigation pending in the federal courts?

The District Court categorically refused to assume such a role and specifically directed counsel for Lee to lodge a grievance with the bar association, a step that to this date Lee has refused to take.

3. Should two telephone conversations between Ceramco's attorneys and clerical employees of Lee, during which undisputed information openly available to the public and unrelated to the merits of the action was exchanged, result in the nullification of all prior proceedings herein and the consequent waste of judicial and legal resources?

The District Court refused to consider this request, and, we submit, it is frivolous.

STATEMENT OF THE CASE

The relevant facts are simple and undisputed, and expose the patent frivolity of this purported appeal.

This action for trademark infringement was commenced in April, 1974. A hearing on a motion for a preliminary injunction along with a plenary hearing on the issues framed by the complaint was ordered in June and is expected to take place shortly. Lee's appeal concerns a collateral issue unrelated to the merits. On one occasion shortly before the institution of this action, Thomas W. Towell, Esq., an associate of the firm of Rogers & Wells, attorneys for Ceramco, called a clerk in Lee's order department in California and requested the names of dental supply houses within the geographic confines of the Eastern District of New York which were distributing the alleged infringing article--a dental adhesive sold by Lee under the trademark "Genie". This information was freely given and no other information of any kind was sought. The sole purpose of the telephone call was to ascertain whether jurisdiction and venue could properly be laid within the Eastern District of New York. Shortly after the institution of this action, a second, similar call was placed by Mr. Towell to Lee's

order department in California and, again, similar information was freely provided by a clerk. A more detailed account of Mr. Towell's efforts to determine whether jurisdiction and venue were properly laid, including the telephone calls, is contained in his affidavits of April 29 (App. 59) and May 29 (App. 223).

Lee vigorously contested the personal and subject matter jurisdiction of the District Court and moved to dismiss the complaint pursuant to Rule 12(b), (App. 142). The April 29 affidavit of Mr. Towell referred to above was submitted in opposition to Lee's Rule 12(b) motion on April 30. The transcript of the hearing on April 30, (App. 79-90) reveals, however, that the Court refused to consider the affidavit of Mr. Towell setting forth the undisputed and non-privileged facts establishing jurisdiction and venue. Consequently, a hearing was held in May (App. 91), and the dental dealers selling Lee's product in Brooklyn testified on these issues. After conclusion of the testimony, the trial court denied Lee's motion from the bench (App. 263), and a formal order was entered to that effect (App. 266).

At no time during the course of any of the proceedings below has Lee challenged any of the information submitted on the hearings on jurisdiction and venue as inaccurate or incorrect. More importantly, for the purposes of this motion, that information is public knowledge,

and in fact the information Mr. Towell obtained has been conceded by Lee in this very Court on the hearing of the original motion to dismiss to be "non-privileged" (Lee Memo. in opposition to motion to dismiss appeal, p. 12).

What Mr. Towell did was to obtain information from Lee's order department which it willingly and freely gives out to anyone. Lee's real grievance is that this information exposed the frivolity of its motion to dismiss for lack of jurisdiction. Thus it asserts in its brief that its prompt filing of a motion to dismiss for lack of jurisdiction as a practical matter "left no time for the ethical development of the pertinent facts by use of the federal discovery rules or otherwise" (Lee Br. p. 14) (emphasis in original). Lee, in its motion in this Court to stay all proceedings in this action* cited the following ground for the stay (Lee Memo. in support of motion to stya, p. 8):

> "Notably, Mr. Towell's second affidavit served May 30, 1974 assigns as one of the reasons for his improper ex parte contacts with Lee that 'I got evidence...which would not have been given me if I had requested it of defense counsel' (par. 4)."

On that same page of its memorandum seeking a stay, Lee complained that "Ceramco's counsel's approach is in derogation and circumvention of the proper methods for obtaining evidence and information from an opponent...."

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* This motion to stay was denied out of hand by both the trial court on May 30 and by this Court on June 11 (Hays and Mansfield, C.J., and Bauman, D.J.).

In other words, stripped of circumlocution, Lee's basic complaint at all times, both here and in the District Court has been that indisputable and non-privileged information was obtained with sufficient speed to expose as sham its motion to dismiss for lack of jurisdiction and venue.

The District Court refused to consider Lee's motion to disqualify Towell and his firm, Rogers & Wells, for obtaining this public informaiton and , in the course of its decision, made the following pertinent remarks (App. 234-35):

> "THE COURT: I made a statement on May 9th that there is a proper forum for such investigation and this is not the forum.
>
> "I will not go into the propriety of an attorney's handling of a matter. There are the various Bar Associations, the City, the State, the American and the Federal. If you feel he violated some canons, go to the specific Bar Association. The Bar Association has the machinery within itself and the jurisdiction to take care of that matter. This Court will determine only whether or not it has jurisdiction, number one, on the question of service and, number two, whether there is a violation of infringement by reason of the sale in this area.
>
> "I have been enunciating that from the day you first came into this Courtroom. You keep submitting [6a] what I call extraneous matters. Why don't we get down to the issues of the case?

> "[7] MISS SEARS: I would simply state to Your Honor-
>
> "THE COURT: I say to you, if Mr. Towels violated a canon of ethics, and you think so, institute your proceedings in the proper forum. I am not that forum. That is all there is to it."

Ceramco's attorneys have repeatedly but unsuccessfully urged Lee to take its grievance to the Bar Association if it genuinely believes that a claim of professional misconduct should be lodged against Rogers & Wells by reason of the activities of Mr. Towell summarized above. For obvious reasons, Lee has chosen to ignore these challenges, preferring instead to engage in secondary by-play in the federal court system in the hopes of avoiding an adjudication on the merits of the trademark infringement claims brought by Ceramco.

This Court's role on this appeal, assuming it decides to take it, is to determine whether it is ethical for a law firm to obtain information concededly accurate and relevant to the question of jurisdiction which is non-privileged and freely made available by employees of the defendant to anyone who seeks it and, assuming that such conduct is unethical, whether or not the client of the firm who obtained such information should be penalized by forcing it to reinstitute this action at great cost, not only to itself, but to judicial resources as well.

ARGUMENT

POINT I

THE APPEAL SHOULD BE DISMISSED

The relief which Lee would have this Court award would, if granted, have profound and far-reaching effects upon the conduct of all litigation within the federal system. Allegations of professional misconduct would mushroom and frivolous interlocutory appeals would serve to delay proceedings below both civil and criminal. The role of the bar associations to review charges of professional misconduct would wither and federal courts at all levels would, of necessity, be converted into continuing arbiters of professional ethics. The authorities relied upon for reviewability of the present order do not support Lee's contention that this Court should supercede bar associations as the reviewer of all charges of professional misconduct.

Lee claims it is entitled to force this Court to act as a quasi-ombudsman for lawyers working in the federal courts by the artifice of seeking disqualification as the penalty for every charge of professional misconduct. Heretofore, however, cases reviewing orders denying motions to disqualify have been predicated upon charges that put in issue the continuing capacity of the lawyer whose disqualification is sought to represent the party. The

typical situation is that presented by Silver Chrysler Plymouth v. Chrysler Motors Corp., 496 F.2d 800 (2d Cir. 1974) in which the charge of conflict of interest was made, arising out of an attorney's prior representation of a party against whom that attorney subsequently proceeded to prosecute an action. Similarly, General Motors Corp. v. City of New York, F.2d , (2d Cir. June 28, 1974) involved the question of whether a lawyer formerly in the antitrust division of the Department of Justice could subsequently represent a plaintiff in a treble damage suit arising out of the same matter on which he worked while in the Department of Justice.

Here, outside of Lee's a priori assumption that it is entitled to the penalty of disqualification arising out of every alleged instance of professional misconduct which could conceivably be committed by an opposing party, there is no basis for questioning the capacity of Rogers & Wells to continue to represent Ceramco. Neither Rogers & Wells nor anyone in privity with it ever represented Lee or any firm in privity with it. No one claims that anyone in Rogers & Wells represented the government in an action against Lee arising out of the same or related subject matter that is present in this litigation.

As this Court pointed out in the Silver Chrysler opinion, where the issue on a motion to disqualify is the continuing capacity and the competency, in the legal sense of the word, of the challenged attorneys to represent a party, a ruling, one way or the other, raises "grave consequences to the losing party" (496 F.2d at 805). These consequences were spelled out with particularity by the Ninth Circuit in Cord v. Smith, 338 F.2d 516 (1964), quoted with approval of this Court in the Silver Chrysler case as follows:

> "Continued participation as an attorney, by one who is disqualified by conflict of interest from so doing, will bring about the very evil which the rule against his participation is designed to prevent, and a subsequent reversal based upon such participation cannot undo the damage that will have been done as a result of such participation."

No such consequences compel this Court to invoke the extraordinary review procedures authorized under the doctrine of Cohen v. Beneficial Industrial Loan Corp., 337 U.S. 541 (1949) in this case. Invoking this doctrine, however, would be the only way to pass upon the propriety of the trial court's refusal to consider the alleged charge of professional misconduct as a basis for disqualifying the attorneys for Ceramco. The only consequences

which will ensue from a dismissal of this purported appeal or its denial is that one less avenue in Lee's seemingly unending and thus far successful attempts to avoid an adjudication on the merits of this controversy will be open to it.

Although Lee's brief is replete with observations on professional and self-discipline or the alleged lack thereof, nowhere are there listed any of the "grave consequences" to this action resulting from the two short telephone conversations recounted above. Lee has neither denied the accuracy of the information given nor come forward with contrary facts. It has instead decided to press the issue of professional responsibility and engage this Court and opposing counsel in time-consuming procedures now that the merits of its Rule 12(b) motion have been denied. It is respectfully submitted that such attempt to engage this Court in needless time-consuming and unrewarding pursuits should not be tolerated.

POINT II

THE DISTRICT COURT CORRECTLY REFUSED TO UNDERTAKE THE ROLE OF A BAR ASSOCIATION AND PASS UPON THE MERITS OF THE CHARGE OF ALLEGEDLY UNPROFESSIONAL MISCONDUCT MADE HERE.

If Lee genuinely believes that the mere ascertaining of the identity of witnesses through sources of information readily available to the public constituted unethical conduct, its remedy was to have lodged a grievance with the bar association. As noted above, although repeatedly challenged to do so, Lee has consistently refused to go to the bar association and indeed, in its memorandum in opposition to the motion to dismiss this appeal incomprehensibly informs this Court "that the bar lacks jurisdiction to redress Lee's wrongs in this case consequent from Ceramco counsel's misconduct." It then proceeds to quote an article in a legal periodical to the effect that "'the bar's disciplinary machinery does not work because we allow our own professional group interest to get mixed up with the larger interest of the public'" (Lee's Memo. in Opp. to Motion to Dismiss, pp. 12-13) (emphasis in original).

It would be unwise, we submit, for this Court to hold that the trial courts in this circuit should, in addition to the discharge of their duties as finders of the facts and the law on the merits of the cases before them, undertake to adjudicate the merits of every claimed instance of professional misconduct made in the course of adversary proceedings. Such an additional role would, in addition to creating a needless burden on already congested trial forums, play into the hands of parties seeking to delay and avoid adjudications on the merits.

The only consequences of the alleged unethical conduct complained of here was that Lee was unable to conceal the indisputable facts establishing jurisdiction. The alleged unethical conduct involved nothing resulting in or remotely resembling fraudulent concealment or misrepresentation of the facts or, as noted above, involved nothing in any way impairing the capacity of counsel for Ceramco to continue prosecuting the action.

The unseemliness and lack of wisdom of having the trial courts adjudicate every intra-professional spat, real or fancied, between opposing attorneys and then having this Court review its determination of the merits of such spats, seems, at least to us, apparent. Adjudication of the disputes

between the parties, often time consuming and complex, would be made all the more difficult by having the federal courts supplant bar associations. The reasons for the federal courts' not getting into this sensitive and labyrinth area unless absolutely necessary, were aptly summed up in Crimmins v. American Stock Exchange, 368 F.Supp. 270 (S.D.N.Y. 1973) where the court expressed disapproval of the increased role in that arena for the courts in the following terms (p. 281):

> "In considering the issues before us in such detail we do not wish to encourage court review of intra-professional disciplinary proceedings.
>
> "For several important reasons, we strongly disapprove of resort to the courts in such matters except, perhaps, in cases of clearly arbitrary or unjust professional determination, neither of which is presented by the proceeding at hand.
>
> "First, intra-professional discipline is best left to the reasoned consideration of the responsible professional administrative tribunals themselves. A long history of determinations by such bodies as the Stock Exchanges or Bar Associations, for example, makes it reasonable to assume that professionals may be expected in the vast preponderance of cases, to judge their colleagues with the same sense of fairness, regard for standards of conduct, attention to ethics and attention to the facts as the courts.

> "Moreover, such suits as the one at hand require an inordinate expenditure of time and resources for the court and parties and, most important, deprive disciplinary proceedings of finality and blunt their effectiveness."

We do not share the view of counsel for Lee that the bar associations within this circuit are impotent organizations, ill-equipped and unwilling to perform their roles. In any event, the wholesale ousting by the federal court of their jurisdiction for the discipline of their members would, we submit, have the inevitable result of emasculating them.

For the reasons set forth, we submit that the district court quite properly refused to become involved in adjudicating the merits of the charge levelled against Ceramco's counsel in this action.

POINT III

THE CHARGE OF UNETHICAL CONDUCT IS UNFOUNDED.

Assuming this Court holds the order involved here to be appealable and further holds that it should undertake to pass upon the merits of the charge of unethical conduct sought to be reviewed, we submit that the facts reveal the charge to be without merit.

All Mr. Towell did was to obtain information from an order clerk of Lee as to the identity of witnesses within the subpoena power of the Eastern District, namely, dealers of Lee operating within that district who could and did give testimony indisputably refuting Lee's claim of lack of jurisdiction and venue. Mr. Towell did not communicate with a party represented by counsel upon the subject matter of the controversy.

Lee's order clerks, who, incidentally, are not officers, directors or managing agents of Lee, and hence not adverse parties, concededly would and do give sales information Mr. Towell obtained to anyone who makes inquiry. What Mr. Towell did was no different from consulting a sales catalog or some other public and non-privileged source listing Lee's sales outlets. The fact that the information came directly from Lee's order clerks rather than from some printed matter supplied by Lee is irrelevant.

The cases cited by Lee in its brief underscore the lack of merit of the charge involved here. Thus, Inglett & Co. v. Everglades Fertilizer Company, 255 F.2d 342 (5th Cir. 1958), Welcher v. United States, 14 F.R.D. 235 (E.D. Ark. 1953) and Wolk v. Wolk, 70 Misc. 2d 620 (S. Ct. Monroe Cty. 1972) involved the propriety of an attorney testifying on behalf of his client. These cases have no application here inasmuch as the Court below heard live testimony from Lee's own dealers on the issues of jurisdiction and venue at the May 9, 1974 hearing (App. p. 91) and Lee's attorneys were given every opportunity to cross-examine at that time. Lee's attorneys did not then and do not now dispute the accuracy of the testimony of their own dealers.

It is not surprising that Lee does not come to grips with the alleged charge of unethical conduct until nearly the end of its brief (pp. 22-24). The cases cited therein all involve direct communication by an adversary attorney upon the subject matter of the controversy with the opposing party without the knowledge or consent of that party's attorney. For instance, Abeles v. The State Bar of California, 108 Cal. Rep. 359, 510 P.2d 719 (Cal. S. Ct. 1973) (Lee Br. p. 24) involved the defendant's attorney's obtaining an affidavit from one of the members

of the plaintiff's partnership without the knowledge or consent of the attorney representing the partnership. Communications by the attorneys involved in the cases cited by Lee at pp. 22-24 of its brief* clearly prejudiced rights of the opposite party, rights that could have been protected by presence of an attorney. That is not the case here. The very same information elicited on direct examination at the May 9 hearing was eventually revealed in Lee's own sales invoices voluntarily produced for Ceramco in June, 1974. Lee's complaint here is that Ceramco obtained these non-privileged facts in May in time to defeat its motion to dismiss for lack of jurisdiction thereby negating its attempt to conceal these facts.

None of the cases cited by Lee involved or even hinted that the offending attorney was to be disqualified and that the case should be re-started. In fact, the Fourth Circuit in Lumbermens Mutual Casualty Company v. Chapman, 269 F.2d 478 (4th Cir. 1959), quoted at length by Lee at p. 23 of its brief, merely made a statement disapproving of such conduct by plaintiff's attorney in the

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* United States v. Thomas, 474 F.2d 110 (10th Cir. 1973); Lumbermens Mutual Casualty Company v. Chapman, 262 F.2d 478 (4th Cir. 1959); Abeles v. State Bar of California, 108 Cal. Rep. 359, 510 P.2d 719 (Cal. S. Ct. 1973); In Re Kent, 187 A.2d 718 (N.J.S.Ct. 1963)(not officially reported); Obser v. Adelson, 96 N.Y.S.2d 817 (S.Ct. N.Y. Co. 1949), aff'd without opinion, 95 N.Y.S.2d 757 (1st Dept. 1959)(not officially reported); In Re Schwabe, 241 Ore. 169, 408 P.2d 922 (Ore.S.Ct. 1965); Turner v. State Bar, 222 P.2d 857 (Cal. S. Ct. 1950)(not officially reported).

course of affirming a judgment for plaintiff. In light of Lee's disdain and sweeping indictment of bar associations for their alleged impotence, it is ironic that the bulk of the cases on which it relies involve disciplinary proceedings initiated by those associations against the offending attorneys.

In summary, Mr. Towell's communication in no way deals with the subject matter of the controversy, was not with the adverse party, and was designed to and, in fact, merely obtained public information. While Lee's desire to conceal the true facts of its doing business in the Eastern District may be understandable, it hardly affords a basis for levelling the serious charge of unethical conduct made here.

Conclusion

The purported appeal should be dismissed. If the appeal is not dismissed, the order entered below be affirmed in all respects.

Respectfully submitted,

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C 321—Affidavit of Service of Papers by Mail.
Affirmation of Service by Mail on Reverse Side.

IN THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

Index No. 74-1757

LEE PHARMACEUTICALS,

Defendant-Appellant, ~~Plaintiff~~

against

CERAMCO, INC.,

Plaintiff-Appellee ~~Defendant~~

AFFIDAVIT OF SERVICE BY MAIL

STATE OF NEW YORK, COUNTY OF NEW YORK *ss.:*

The undersigned being duly sworn, deposes and says:

Deponent is not a party to the action, is over 18 years of age and resides at 120-04 101st Ave. Richmond Hill, New York 11419

That on October 2 *19* 74 *deponent served* 2 Copies of *the annexed* Brief on Behalf of Plaintiff-Appellee

on Irons, Sears and Spellman
attorney(s) for Defendant-Appellant Lee Pharmaceuticals
in this action at 34 South Broadway, White Plains, New York

the address designated by said attorney(s) for that purpose by depositing a true copy of same enclosed in a postpaid properly addressed wrapper, in—a post office—official depository under the exclusive care and custody of the United States Postal Service within the State of New York.

Sworn to before me
October 2, 1974

Judith A. Contino
The name signed must be printed beneath

Judith A. Contino

SIGMUND KATZ
Attorney & Counsellor at Law
No. 30-7177600
Qualified in Nassau County
Cert. filed with New York County Clerk
Commission Expires March 30, 1976

C 321—Affirmation of Service of Papers by Mail.
Affidavit of Service By Mail on Reverse Side.

Index No.

Plaintiff

against

Defendant

ATTORNEY'S AFFIRMATION OF SERVICE BY MAIL

STATE OF NEW YORK, COUNTY OF ss.:

The undersigned, attorney at law of the State of New York affirms: that deponent is attorney(s) of record for

That on 19 *deponent served the annexed*

on
attorney(s) for
in this action at
the address designated by said attorney(s) for that purpose by depositing a true copy of same enclosed in a postpaid properly addressed wrapper, in—a post office—official depository under the exclusive care and custody of the United States Postal Service within the State of New York.

The undersigned affirms the foregoing statement to be true under the penalties of perjury.

Dated

.....
The name signed must be printed beneath

Attorney at Law